

Adopted	Rejected
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COMMITTEE REPORT

YES:	16
NO:	4

MR. SPEAKER:

*Your Committee on Ways and Means, to which was referred House Bill 1815, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill **be amended** as follows:*

- 1 Page 1, between the enacting clause and line 1, begin a new
- 2 paragraph and insert:
- 3 "SECTION 1. IC 5-10.2-2-3, AS AMENDED BY P.L.195-1999,
- 4 SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 5 JANUARY 1, 2002]: Sec. 3. (a) The annuity savings account consists
- 6 of:
- 7 (1) the members' contributions; and
- 8 (2) the interest credits on these contributions in the guaranteed
- 9 fund or the gain or loss in market value on these contributions in
- 10 the alternative investment program, as specified in section 4 of
- 11 this chapter.
- 12 Each member shall be credited individually with the amount of the
- 13 member's contributions and interest credits.
- 14 (b) Each board shall maintain the annuity savings account program
- 15 in effect on December 31, 1995 (referred to in this chapter as the
- 16 guaranteed program). In addition, the board of the Indiana state

1 teachers' retirement fund shall establish and maintain a guaranteed
 2 program within the 1996 account. Each board may establish investment
 3 guidelines and limits on all types of investments (including, but not
 4 limited to, stocks and bonds) and take other actions necessary to fulfill
 5 its duty as a fiduciary of the annuity savings account, subject to the
 6 limitations and restrictions set forth in IC 5-10.3-5-3 and IC 21-6.1-3-9.

7 (c) Each board shall establish alternative investment programs
 8 within the annuity savings account of the public employees' retirement
 9 fund, the pre-1996 account, and the 1996 account, based on the
 10 following requirements:

11 (1) Each board shall maintain at least one (1) alternative
 12 investment program that is an indexed stock fund and one (1)
 13 alternative investment program that is a bond fund.

14 (2) The programs should represent a variety of investment
 15 objectives under IC 5-10.3-5-3.

16 (3) No program may permit a member to withdraw money from
 17 the member's account except as provided in IC 5-10.2-3 and
 18 IC 5-10.2-4.

19 (4) All administrative costs of each alternative program shall be
 20 paid from the earnings on that program.

21 (5) A valuation of each member's account must be completed as
 22 of the last day of each quarter.

23 (d) The board must prepare, at least annually, an analysis of the
 24 guaranteed program and each alternative investment program. This
 25 analysis must:

26 (1) include a description of the procedure for selecting an
 27 alternative investment program;

28 (2) be understandable by the majority of members; and

29 (3) include a description of prior investment performance.

30 (e) A member may direct the allocation of the amount credited to
 31 the member among the guaranteed fund and any available alternative
 32 investment funds, subject to the following conditions:

33 (1) A member may make a selection or change an existing
 34 selection ~~at any time, but not more than once in a twelve (12)~~
 35 ~~month period.~~ **under rules established by each board. A board**
 36 **shall allow a member to make a selection or change any**
 37 **existing selection at least once each quarter.**

38 (2) The board shall implement the member's selection beginning

- 1 the first day of the next calendar quarter that begins at least thirty
2 (30) days after the selection is received by the board. This date is
3 the effective date of the member's selection.
- 4 (3) A member may select any combination of the guaranteed fund
5 or any available alternative investment funds, in ten percent
6 (10%) increments.
- 7 (4) A member's selection remains in effect until a new selection
8 is made.
- 9 (5) On the effective date of a member's selection, the board shall
10 reallocate the member's existing balance or balances in
11 accordance with the member's direction, based on:
- 12 (A) for an alternative investment program balance, the market
13 value on the effective date; and
- 14 (B) for any guaranteed program balance, the account balance
15 on the effective date.
- 16 All contributions to the member's account shall be allocated as of
17 the last day of that quarter in accordance with the member's most
18 recent effective direction. The board shall not reallocate the
19 member's account at any other time.
- 20 (f) When a member who participates in an alternative investment
21 program transfers the amount credited to the member from one (1)
22 alternative investment program to another alternative investment
23 program or to the guaranteed program, the amount credited to the
24 member shall be valued at the market value of the member's
25 investment, as of the day before the effective date of the member's
26 selection. When a member who participates in an alternative
27 investment program retires, becomes disabled, dies, or suspends
28 membership and withdraws from the fund, the amount credited to the
29 member shall be the market value of the member's investment as of the
30 last day of the quarter preceding the member's distribution or
31 annuitization at retirement, disability, death, or suspension and
32 withdrawal, plus contributions received after that date.
- 33 (g) When a member who participates in the guaranteed program
34 transfers the amount credited to the member to an alternative
35 investment program, the amount credited to the member in the
36 guaranteed program is computed without regard to market value and is
37 based on the balance of the member's account in the guaranteed
38 program as of the last day of the quarter preceding the effective date of

the transfer. When a member who participates in the guaranteed program retires, becomes disabled, dies, or suspends membership and withdraws from the fund, the amount credited to the member shall be computed without regard to market value and is based on the balance of the member's account in the guaranteed program as of the last day of the quarter preceding the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal, plus any contributions received since that date plus interest since that date.

SECTION 2. IC 5-10.2-4-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JUNE 1, 2001]: Sec. 3. (a) Except as provided in subsection ~~(e)~~ (f), in computing the retirement benefit for a nonteacher member, "average of the annual compensation" means the average annual compensation calculated using the twenty (20) calendar quarters of service in a position covered by the retirement fund before retirement in which the member's annual compensation was the highest. However, in order for a quarter to be included in the twenty (20) calendar quarters, the nonteacher member must have performed service throughout the calendar quarter. All twenty (20) calendar quarters do not have to be continuous but they must be in groups of four (4) consecutive calendar quarters. The same calendar quarter may not be included in two (2) different groups.

(b) **This subsection does not apply to a teacher member described in subsection (c).** In computing the retirement benefit for a teacher member, "average of the annual compensation" means the average annual compensation for the five (5) years of service before retirement in which the member's annual compensation was highest. In order for a year to be included in the five (5) years, the teacher member must have received for the year credit under IC 21-6.1-4-2 for at least one-half (1/2) year of service. The five (5) years do not have to be continuous.

(c) **This subsection applies to a member of the Indiana state teachers' retirement fund who serves in an elected position for which the member takes an unpaid leave of absence. In computing the retirement benefit for a teacher member described in this subsection for years of service to which IC 21-6.1-5-7.5 does not apply, "average of the annual compensation" means the annual compensation for the one (1) year of service before retirement in which the member's annual compensation was highest. In order for**

a year to be used, the teacher member must have received for the year credit under IC 21-6.1-4-2 for at least one-half (1/2) year of service.

(d) Subject to IC 5-10.2-2-1.5 "annual compensation" means:

(1) the basic salary earned by and paid to the member plus the amount that would have been part of that salary but for:

~~(1)~~ (A) the state's, a school corporation's, a participating political subdivision's, or a state educational institution's (as defined in IC 20-12-0.5-1) paying the member's contribution to the fund for the member; or

~~(2)~~ (B) the member's salary reduction agreement established under Section 125, 403(b), or 457 of the Internal Revenue Code; and

(2) in the case of a member described in subsection (c) and for years of service to which IC 21-6.1-5-7.5 does not apply, the basic salary that was not paid during the year but would have been paid to the member during the year under the member's employment contracts if the member had not taken any unpaid leave of absence to serve in an elected position.

The portion of a back pay award or a similar award that the board determines is compensation under an agreement or under a judicial or an administrative proceeding shall be allocated by the board among the years the member earned or should have earned the compensation. Only that portion of the award allocated to the year the award is made is considered to have been earned during the year the award was made. Interest on an award is not considered annual compensation for any year.

~~(d)~~ (e) Compensation of no more than two thousand dollars (\$2,000) received from the employer in contemplation of the member's retirement, including severance pay, termination pay, retirement bonus, or commutation of unused sick leave or personal leave, may be included in the total annual compensation from which the average of the annual compensation is determined, if it is received:

(1) before the member ceases service; or

(2) within twelve (12) months after the member ceases service.

~~(e)~~ (f) This section applies to a member of the general assembly:

(1) who is a participant in the legislators' retirement system established under IC 2-3.5;

1 (2) who is also a member of the public employees' retirement fund
 2 or the state teachers' retirement fund; and

3 (3) whose years of service in the general assembly may not be
 4 considered in determining the average of the annual
 5 compensation under this section, as provided in
 6 IC 2-3.5-1-2(b)(2) or IC 2-3.5-3-1(c).

7 The board shall use the board's actuarial salary increase assumption to
 8 project the salary for any previous year needed to determine the
 9 average of the annual compensation."

10 Page 7, after line 20, begin a new paragraph and insert:

11 "SECTION 11. [EFFECTIVE JUNE 1, 2001] **IC 5-10.2-4-3, as**
 12 **amended by this act, applies only to members of the Indiana state**
 13 **teachers' retirement fund who retire after May 31, 2001."**

14 Renumber all SECTIONS consecutively.

(Reference is to HB 1815 as introduced.)

and when so amended that said bill do pass.

Representative Bauer